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Report to the Mississippi Legislature

# **FY 2021 Annual Report: A Review of the Mississippi Development Authority Tourism Advertising Fund**

#666  
December 15, 2021



## **PEER: The Mississippi Legislature's Oversight Agency**

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms, with one Senator and one Representative appointed from each of the U.S. Congressional Districts and three at-large members appointed from each house. Committee officers are elected by the membership, with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of four Representatives and four Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues that may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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The Mississippi Legislature

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December 15, 2021

Honorable Tate Reeves, Governor  
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Honorable Philip Gunn, Speaker of the House  
Members of the Mississippi State Legislature

On December, 15 2021, the PEER Committee authorized release of the report titled ***FY 2021 Annual Report: A Review of the Mississippi Development Authority Tourism Advertising Fund.***

A handwritten signature in black ink, appearing to read "Timmy Ladner".

Representative Timmy Ladner, Chair

**This report does not recommend increased funding or additional staff.**



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# FY 2021 Annual Report: A Review of the Mississippi Development Authority Tourism Advertising Fund

**CONCLUSION:** Under the authority of MISS. CODE ANN. § 57-1-64 (1972), the Mississippi Development Authority oversees deposits to and expenditures from the Tourism Advertising Fund. Additionally, MISS. CODE ANN. § 27-65-23 (b) (1972) requires a certain percentage of monthly restaurant and hotel sales tax collections be deposited into the fund. As required by state law, PEER conducted a review to disclose where these funds were spent and detail amounts deposited.

**Background:** MISS. CODE ANN. § 57-1-64 (1972) created the Tourism Advertising Fund and gave the Mississippi Development Authority the license to expend funds for the purpose of advertising and promoting Mississippi Tourism.

Additionally, MISS. CODE ANN. § 57-1-64.1 (1972) created the Mississippi Tourism Association Marketing (MTA) Marketing Advisory Board to provide assistance to MDA in planning goals and initiatives.

The Board is composed of the following:

- the MTA Executive Director;
- five members of the MTA Board of Directors representing each of MTA's five tourism regions;
- three at-large members;
- three at-large members appointed by the Governor;
- one at-large member appointed by the Lieutenant Governor; and,
- one at-large member appointed by the Speaker of the House of Representatives.

### Recommendation

PEER staff believes that MDA has made expenditures from the Tourism Advertising Fund in accordance with MISS. CODE ANN. § 57-1-64. However, it is imperative that monies expended from the fund are effective in growing tourism and attracting visitors to the state. Therefore, PEER recommends the Legislature give PEER the authority to conduct a review of the effectiveness of MDA tourism marketing efforts.

### FY 2020 and FY 2021 Restaurant and Hotel Sales Tax Collections

Month	FY 2021	FY 2020	Net Increase/(Decrease)
July	\$279,205	-	\$279,205
August	628,418	\$229,333	399,085
September	622,799	227,166	395,633
October	618,255	219,832	398,423
November	608,368	205,223	403,145
December	667,632	220,229	447,403
January	565,847	255,231	310,616
February	593,696	807,281	(213,585)
March	613,500	294,322	319,178
April	555,529	277,965	277,564
May	770,011	243,291	526,720
June	776,477	210,519	565,958
<b>Total</b>	<b>\$7,299,737</b>	<b>\$3,190,392</b>	<b>\$4,109,345</b>

### FY 2021 Tourism Advertising Fund Expenditures

Object	Amount
Alabama Media Group	\$770,591
American Road LLC	3,821
Arkansas Times Limited Partnership	4,625
BMH Marketing, LLC	156
Brazos River Media Inc.	39,000
Department of Archives and History	50,000
Enterprise Products Company	12,907
Expedia, Inc.	626,000
Fox Sports South	214,200
Gannett River States Publishing Corporation	1,614
Garden & Gun Magazine, LLC	53,900
GR/IR Clearing <sup>1</sup>	8,648
Kenilworth Media Inc.	5,501
Lobaki, Inc.	16,250
Longwoods International USA Inc.	59,250
Madden Preprint Media LLC	235,039
M and L Publishing, LLC	2,180
MCI USA Holding Company	12,900
Meredith Corporation	221,571
Peninsula Publishing, LLC	35,000
Power Play Marketing	14,850
Quality Printing, Inc.	363
Smithsonian Institution	12,000
Southbound Publishing, Inc.	3,230
Still Water Marketing	5,100
The Commercial Appeal	6,800
The South Magazine Alabama	4,467
UMB Bank NA	8,617
Westmoreland Publishing Co, Inc.	30,000
<b>Total</b>	<b>\$2,458,580</b>

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# FY 2021 Annual Report: A Review of the Mississippi Development Authority Tourism Advertising Fund

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## Introduction

### Authority, Scope, and Purpose

MISS. CODE ANN. § 27-65-75 (23) (b) (1972) requires the Joint Legislative PEER Committee to provide an annual report to the Legislature reviewing the Mississippi Development Authority (MDA) Tourism Advertising Fund established by MISS. CODE ANN. § 57-1-64 (1972).

This FY 2021 report on the Tourism Advertising Fund includes an update on revenue and expenditures and addresses the following questions:

- How much in restaurant and hotel sales tax revenue was distributed to the Tourism Advertising Fund during FY 2021?
- How did MDA expend the sales tax revenue directed to the Tourism Advertising Fund?

PEER conducted this review in accordance with MISS. CODE ANN. § 5-3-1 (1972) et seq.

### Method

In conducting this review, PEER:

- reviewed relevant sections of state law;
- obtained programmatic information from MDA; and,
- obtained sales tax collection and expenditure information from the Mississippi Department of Revenue and MDA.

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## Background

This chapter serves as a review of tourism-related laws and statutory requirements and presents the following information:

- creation of the MDA Tourism Advertising Fund;
- structure of the Mississippi Tourism Association Marketing Advisory Board; and,
- percentages of restaurant and hotel sales tax collections deposited into the Tourism Advertising Fund.

### Creation of the MDA Tourism Advertising Fund

**MISS. CODE ANN. § 57-1-64 created the MDA Tourism Advertising Fund and authorized MDA to sell advertising and promotional information to generate revenues to deposit into the fund.**

MISS. CODE ANN. § 57-1-64 (1972) created a special fund in the State Treasury known as the MDA Tourism Advertising Fund. Law states MDA can use amounts in the fund for:

*...the purpose of paying costs incurred in connection with the purchase of Internet advertising and other promotional information and materials related to Mississippi tourism resources and activity.*

Additionally, MDA is authorized to sell advertising and other promotional information and enter into agreements with other tourism associations for the purpose of facilitating sales revenue to deposit into the Tourism Advertising Fund.

### Structure of the Mississippi Tourism Association Marketing Advisory Board

**MISS. CODE ANN. § 57-1-64.1 (1972) created the Mississippi Tourism Association Marketing Advisory Board to assist MDA with advertising and promotion of tourism in Mississippi.**

MISS. CODE ANN. § 57-1-64.1 (1972) created a Mississippi Tourism Association (MTA) Marketing Advisory Board (Advisory Board) to assist MDA in planning the initiatives and goals for advertising and promoting tourism in Mississippi. The Board is composed of the following:

- MTA Executive Director;
- the members of the MTA Board of Directors representing each of MTA's five tourism regions (i.e., the Hills, the Delta, the Capital/River, the Pines, and the Coastal region), and three at-large members;
- three at-large members appointed by the Governor;
- one at-large member appointed by the Lieutenant Governor; and,
- one at-large member appointed by the Speaker of the House of Representatives.

As provided by MISS. CODE ANN. § 57-1-64.1, the Advisory Board provides input and advice to MDA's Tourism Division on marketing and advertising planning; however, the Advisory Board has no executive powers at MDA.

## Percentages of Restaurant and Hotel Sales Tax Collections Deposited into the Tourism Advertising Fund

**MISS. CODE ANN. § 27-65-75 (23) (a) (1972) requires percentages of sales tax revenue collected from Mississippi restaurants and hotels to be deposited into the MDA Tourism Advertising Fund.**

MISS. CODE ANN. § 27-65-75 (23) (a) (1972) requires a percentage of each month's sales tax collections from restaurants and hotels to be distributed to the MDA Tourism Advertising Fund. Law requires a set percentage of such sales tax collections to be distributed as follows:

- For the period from August 15, 2019, through July 15, 2020: 1% of total sales tax revenue collected from restaurants and hotels;
- For the period from August 15, 2020, through July 15, 2021: 2% of total sales tax revenue collected from restaurants and hotels; and,
- From August 15, 2021, and each month thereafter, 3% of total sales tax revenue collected from restaurants and hotels.

Sales tax collections are to be deposited into the MDA Tourism Advertising Fund and used exclusively for the purposes of the fund established by MISS. CODE ANN. § 57-1-64 (see page 2).<sup>1</sup>

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<sup>1</sup> MISS. CODE ANN. § 27-65-75 (23) (a) also stated that these restaurant and hotel sales tax collections shall not be available for expenditure until February 1, 2020.

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# MDA Tourism Advertising Fund Revenues and Expenditures

This chapter discusses:

- FY 2021 restaurant and hotel sales tax collections;
- FY 2021 Tourism Advertising Fund expenditures; and,
- FY 2022 projected revenues and expenditures.

## FY 2021 Tourism Advertising Fund Restaurant and Hotel Sales Tax Revenue

As provided by MISS. CODE ANN. § 27-65-75, the MDA Tourism Advertising Fund received approximately \$7.3 million in restaurant and hotel sales tax revenue in FY 2021.

As shown in Exhibit 1 on page 4, MDA received approximately \$7.3 million in restaurant and hotel sales tax collections to deposit into the Tourism Advertising Fund.

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### Exhibit 1: Restaurant and Hotel Sales Tax Collections Deposited into the MDA Tourism Advertising Fund for FY 2021

Month	Amount
July, 2020	\$279,205
August, 2020	\$628,418
September, 2020	\$622,799
October, 2020	\$618,255
November, 2020	\$608,368
December, 2020	\$667,632
January, 2021	\$565,847
February, 2021	\$593,696
March, 2021	\$613,500
April, 2021	\$555,529
May, 2021	\$770,011
June, 2021	\$776,477
<b>Total</b>	<b>\$7,299,737</b>

SOURCE: Mississippi Development Authority and Mississippi Department of Revenue.

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Restaurant and hotel sales tax collections for FY 2021 represent a substantial increase from amounts in FY 2020. In FY 2020, \$3.2 million in restaurant and hotel sales tax was deposited. In FY 2021, \$7.3 million was deposited—\$4.1 million more than in FY 2020.

In FY 2021, the restaurant and hotel sales tax percentage increased to 2%. This increase is partially responsible for the increase in restaurant and hotel sales tax collections. Furthermore, because the law establishing the distribution of restaurant and hotel sales tax collections to the Tourism Advertising Fund was enacted during the 2019 Regular

Session, it did not begin receiving funds until August 2019—one month after the start of FY 2020, making FY 2021 the first full fiscal year of restaurant and hotel sales tax collections deposited into the Tourism Advertising Fund. Exhibit 2 on page 5 compares FY 2020 and FY 2021 restaurant and hotel sales tax collections.

## Exhibit 2: FY 2020 and FY 2021 Restaurant and Hotel Sales Tax Collections

Month	FY 2021	FY 2020	Net Increase/(Decrease)
July	\$279,205	-	\$279,205
August	628,418	\$229,333	399,085
September	622,799	227,166	395,633
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June	776,477	210,519	565,958
<b>Total</b>	<b>\$7,299,737</b>	<b>\$3,190,392</b>	<b>\$4,109,345</b>

SOURCE: Mississippi Department of Revenue.

Given that the percentage of restaurant and hotel sales tax collections will increase to 3%, the Tourism Advertising Fund may receive another substantial increase in revenue in FY 2022.

As stated on page 2, MISS. CODE ANN. § 57-1-64 authorizes MDA to “sell advertising and other tourism promotional information through the MDA Internet website and other marketing outlets” and deposit the revenues from such sales into the Tourism Advertising Fund. According to MDA staff, the only monies deposited into the fund in FY 2021 were restaurant and hotel sales tax collections.

## FY 2021 Tourism Advertising Fund Expenditures

**According to MDA staff, approximately \$2.5 million was expended from the Tourism Advertising Fund during FY 2021 to support local communities attracting tourists.**

Expenditures from the Tourism Advertising Fund for FY 2021 were approximately \$2.5 million. Exhibit 3 on page 6 displays FY 2021 total expenditures. According to MDA staff, the expenditures were an effort to “support local communities in attracting tourists and to tap into pandemic-related trends of visitors taking advantage of the outdoors, visiting rural areas, and unique getaways.”

Per the direction of the Advisory Board, Visit Mississippi spent Tourism Advertising Funds to meet operational objectives. Additionally,

companies, vendors, and publishers were selected based on target audiences and sectors.

MDA’s operational plans included:

- sharing the cost of advertising with local communities through advertisement buys on travel websites like Expedia;
- advertising to target markets Mississippi’s tourist attractions;
- purchasing commodities (e.g., luggage tags, a “Bucket List” of Mississippi sites to visit, Visit Mississippi<sup>2</sup> contact cards) to send to group operators and meeting planners around the country;
- assisting the Department of Archives and History with a marketing campaign for the Museum of Mississippi History and the Mississippi Civil Rights Museum; and,
- mailing the Mississippi Tour Guide to out-of-state households.

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**Exhibit 3: FY 2021 Tourism Advertising Fund Expenditures by Vendor**

<b>Vendor</b>	<b>Amount</b>
Alabama Media Group	\$770,591
American Road LLC	3,821
Arkansas Times Limited Partnership	4,625
BMH Marketing, LLC	156
Brazos River Media Inc.	39,000
Department of Archives and History	50,000
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The South Magazine Alabama	4,467
UMB Bank NA	8,617
Westmoreland Publishing Co, Inc.	30,000
<b>Total</b>	<b>\$2,458,580</b>

<sup>1</sup> Account for goods and/or services received but not yet invoiced.

SOURCE: Mississippi Development Authority.

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<sup>2</sup> Visit Mississippi is MDA’s brand for tourism promotion efforts.

After reviewing FY 2021 Tourism Advertising Fund expenditures, PEER staff obtained additional information from MDA staff regarding new contracts and services provided by vendors receiving over \$200,000. The following sections discuss two new contracts issued during FY 2021, and services provided by the five vendors that received over \$200,000 during FY 2021, which represented approximately 84% of total expenditures.

## **Contracts Issued During FY 2021**

Two new contracts were issued by MDA during FY 2021: one to Longwoods International for a custom overnight visitation study; and one to Lobaki in utilizing virtual reality for trade shows.

### *Longwoods Contract*

In FY 2020, MDA officials, through Visit Mississippi, signed a contract in the amount of \$39,500 with Longwoods International for a custom overnight visitation study. Visit Mississippi agreed to pay half of the cost (\$19,750) on initiation of the study and pay the remaining half upon receipt of the completed report in FY 2021. In November 2020, Visit Mississippi signed another contract to continue the overnight visitation study with Longwoods International for an additional \$39,500. In FY 2021, MDA paid the remaining half (\$19,750) for the original study and \$39,500 for the second study, bringing total FY 2021 payments to Longwoods International to \$59,250.

According to the Longwoods contract, the company's visitor report includes various visitor data pertaining to the following:

- number of visitors for overnight trips;
- source of business;
- demographics;
- month the trip started;
- size and composition of the travel party;
- purpose of the trip;
- length of the trip;
- transportation used on the trip;
- accommodations on the trip;
- social media used on the trip; and
- activities on the trip.

MDA has received the Longwoods report, and according to MDA staff, the report provided segment insights<sup>3</sup> and assisted in marketing efforts based on visitor demographics (e.g., age, areas of interest, activities, and primary purpose).

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<sup>3</sup> Longwoods separates visitors into five separate behavioral groups, or segments, and provides visitor trend analysis for each of these segments. The segments are casino gaming/sports betting, historical interest, cultural interest, soft adventure, and hard adventure.

### *Lobaki Contract*

Per MDA staff, local convention and visitor bureau leaders expressed interest in utilizing virtual reality for trade shows to showcase their communities to group tour operators and tourism professionals in the United States and other countries. Due to Vicksburg's popularity with international travelers, Visit Mississippi has chosen to test the concept in Vicksburg, and in August 2020, MDA signed a contract with Jackson-based company, Lobaki, for a 20-minute 360 virtual reality (VR) video experience. Visit Vicksburg worked with Lobaki to match video ideas with marketing efforts surrounding ideas such as arts and antiques, civil war history, and adventure.

According to MDA staff, MDA has not received the video due to Lobaki experiencing personnel issues. However, Lobaki has indicated those issues have been resolved, and they are working on the project. As required by the contract, MDA has partially paid for the completed portions of the video.

## **Vendors Receiving Over \$200,000 During FY 2021**

PEER identified the services provided by five vendors that represented approximately 84% of total FY 2021 Tourism Advertising Fund expenditures.

### *Alabama Media Group*

Alabama Media Group operates a destination marketing firm. Visit Mississippi used Alabama Media Group to run a digital and social media campaign from September 2020 to June 2021. Additionally, in spring 2021, Visit Mississippi collaborated with local convention and visitor bureaus to run an advertising program that included digital ads and commercials on streaming services.

### *Expedia, Inc.*

Expedia, Inc., operates travel booking sites such as Expedia.com, Hotels.com, and Travelocity.com. Visit Mississippi worked with Expedia, Inc., for three digital media campaigns. The first campaign was a cooperative advertising program to spotlight travel to Mississippi on Expedia for local communities and Visit Mississippi. The second campaign ran from July 2021 to September 2021 spotlighting summer gaming. The last campaign included advertisement on Expedia.com, Hotels.com, Orbitz.com, Travelocity.com, PassportAds, and a specialized microsite featuring Mississippi-based travel itineraries.

### *Fox Sports South*

Fox Sports South ran television commercials highlighting travel to Mississippi across the Southeast United States during televised Atlanta Braves baseball games throughout May and June 2021.

### *Madden Preprint Media*

Madden Preprint Media is a digital marketing firm specialized in promoting travel. Per the Advisory Board's request, Visit Mississippi

collaborated with Madden Preprint Media in a cooperative advertising campaign that included digital ads and search engine marketing to promote tourism recovery in light of the pandemic recovery efforts.

### *Meredith Corporation*

Meredith Corporation is a media and marketing company who publishes dozens of fashion, lifestyle, entertainment, food, sports, news, and business magazines. In addition to digital adds on *Travel + Leisure* and *Food & Wine* websites, MDA purchased print ads in *Southern Living*, *Travel + Leisure*, *Food & Wine*, and *Coastal Living*.

## FY 2022 Projected Revenues and Expenditures

**MDA anticipates using remaining FY 2021 revenues and projected future fiscal year revenues to fund a \$15.4 million media campaign.**

At the start of FY 2022, the percentage of restaurant and hotel sales tax collections distributed to the Tourism Advertising Fund increased to 3%. Due to this increase, MDA staff estimates \$12 million in revenue for FY 2022. This is an estimated projection, and actual revenues for FY 2022 could differ depending on market conditions. Given the approximately \$8.8 million balance in the Tourism Advertising Fund at the end of FY 2021 and the anticipated revenue of \$12 million in FY 2022, approximately \$20.8 million could be available for tourism related advertising in FY 2022.

Considering the FY 2021 remaining fund balance and FY 2022 estimated revenues, PEER queried MDA staff regarding future fiscal year expenditures. MDA proposes using remaining amounts and estimated revenues to fund a \$15.4 million media campaign to highlight Mississippi's outdoor, gaming, culinary, music, and other tourism attractions. The media campaign includes the following expenditures:

- creative/production services;
- print media;
- Expedia media;
- television media;
- audio media;
- digital media;
- co-branded content;
- public relation services;
- influencer marketing services;
- co-op spending; and,
- outdoor (i.e., billboards).

According to MDA staff, the media campaign is subject to changes depending on market conditions, trends in tourism, and marketing ideas developed and implemented during the fiscal year. Therefore, actual expenditures are likely to vary from projected expenditures.

If FY 2022 revenues and expenditures approximate anticipated levels, around \$5.4 million will be available for additional advertising efforts during FY 2022 or be available to be carried over into future fiscal years. As required by MISS. CODE ANN. § 27-65-75 (23) (b), PEER will continue to monitor and annually report revenue to and expenditures from the Tourism Advertising Fund.

### **Oversight of MDA Tourism Advertising Fund**

Since creation of the Tourism Advertising Fund in FY 2020, the fund has received approximately \$10.5 million, with approximately \$7.3 million of this amount received in FY 2021. In FY 2022, the percentage of sales tax revenue collected from restaurants and hotels will increase from 2% to 3% and the amount received by the fund is anticipated to likewise increase.

Under MISS. CODE ANN. § 57-1-64, MDA has the authority to use amounts in the fund with the goal of increasing tourism in the state through promotional advertising and agreements with tourism associations throughout the state. Currently, the law does not provide for any reviews or measures to determine the effectiveness of MDA's efforts. Given the millions of dollars received and expended annually through the Tourism Advertising Fund, PEER believes a periodic evaluation of the effectiveness of MDA's efforts in increasing tourism in the state would be prudent.

PEER staff believes that MDA has made expenditures from the Fund under the authority granted by the law and under the advisement of the Advisory Board. As MDA continues to oversee the Tourism Advertising Fund, it is, however, imperative that monies expended from the Fund and the contracts obtained are effective in attracting visitors and growing Mississippi Tourism. A periodic review would be beneficial in the stewardship of taxpayer funds.

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## Recommendation

1. The Legislature should require that the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) shall conduct a review of advertising and marketing efforts paid for through the Mississippi Development Authority (MDA) Tourism Advertising Fund, including but not limited to the effectiveness of attracting out-of-state visitors, the effectiveness of digital advertising efforts, and the administration and oversight by MDA regarding Tourism Advertising Fund expenditures. The review shall be provided to the Lieutenant Governor, Speaker of the House, the Chairman of the Senate Tourism Committee, the Chairman of the House of Representatives Tourism Committee, and the Governor by no later than December 1, 2024, and every four years thereafter.

The PEER Committee may contract with a private contractor or contractors to conduct the review, or any part or parts thereof. In the event that the PEER Committee determines that contractors should be used, it shall seek competitive proposals for services and select the lowest and best proposal or proposals. MDA shall be legally and unconditionally obligated to pay the expenses of any work performed by any such contractor or contractors utilized by the PEER Committee utilizing funds originating from the MDA Tourism Advertising Fund.

Upon completion of the review and after the Executive Director of the PEER Committee has accepted the work product of the contractor or contractors, the contractor or contractors utilized shall submit to MDA an invoice or invoices for the costs of services rendered in an amount not to exceed One Hundred Thousand Dollars (\$100,000.00), in the aggregate.



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